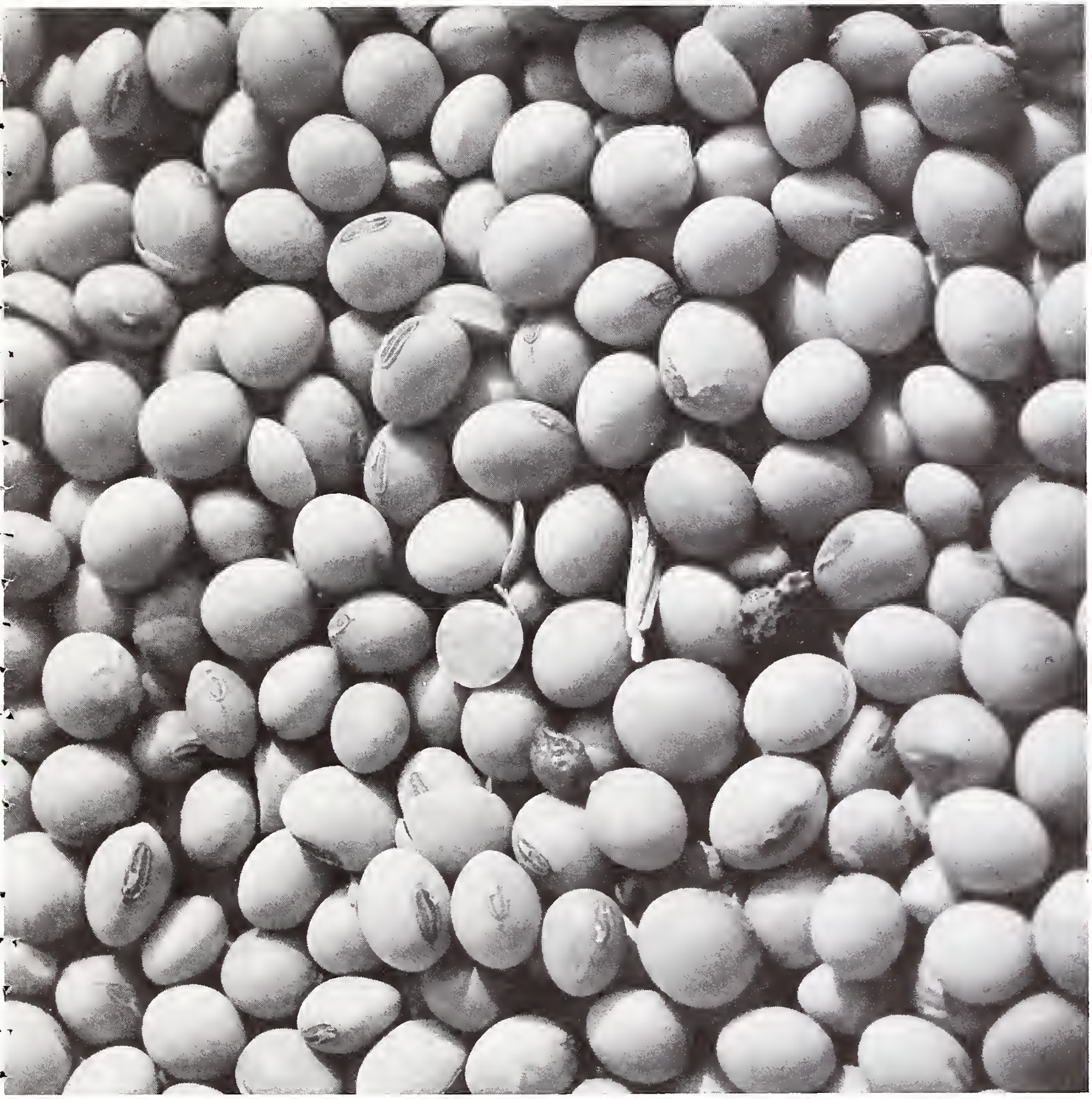
FOREIGN AGRICULTURE



SEPTEMBER 18, 1972

U.S. Soybeans in World Markets

The "New" Mansholt Plan

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This week's cover:

Soybeans, the "miracle crop," has just become the Nation's leading cash crop. Even more important for international trade, the soybean "complex" has become the first U.S. commodity group ever to have exports exceeding $2 billion in a year. For the complete story, see the articles beginning on this page.

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Are U.S. Farmers Planting Enough Soybeans To Meet World Market Opportunities?

Assistant Secretary Carroll G. Brunthaver addresses himself to this important issue —and restates U.S. opposition to an international oils agreement—in a speech before the National Soybean Processors Association August 21, 1972.

This is a particularly dynamic period for the farm industries.

- On July 8, the United States completed an agreement with the Soviet Union for the sale of at least $750 million in wheat and feedgrains over a 3-year period.
- Within little more than a month, it was evident that the Soviets had already made purchases of grain exceeding that entire 3-year commitment.
- A major commercial sale of soybeans has been made to the Soviet Union—the first purchase of U.S. beans by the Soviets since 1965-66. The quantity has been unofficially estimated at 1 million tons.
- There has also been a small but significant sale of linseed oil to the People's Republic of China.

Each of these developments is a reflection of major efforts by the United States to open up trade and other relationships with two immense countries comprising one-fifth of the world's land area and 28 percent of the world's people. The successes growing out of these efforts can have enormous consequences for world peace and stability in years to come.

Aside from this, these sales are an immediate contribution to farm income, to the national economy, and to the Nation's trade position. In the 12 months that began July 1, we seem very likely to exceed the record exports of the year just completed. We are almost certain to expand the favorable balance in our agricultural trade, which was over $2 billion in 1971-72.

As for returns to farmers, net income in this calendar year will be at an alltime record with a rise of around $2 billion over last year. Soybean income is a major part of this growth; we now estimate the value of the 1972

soybean crop at $4 billion—compared with $2.4 billion in 1967 and 1968.

With all of these favorable signs in the soybean picture, a question we might well consider is why there is not more of an expansion in soybean acreage—and what can be done about it.

The August crop report indicates a soybean planting this year of 45.8 million acres for harvest—compared with 42.8 million acres harvested last year. It is estimated that this acreage would give us a crop of 1,270 million bushels —an increase of 9 percent or about 100 million bushels over the 1971 crop. Moreover, this increased supply is estimated to be produced and sold with no adverse effect on soybean prices and with a further improvement in the incomes of soybean growers.

This increase of 100 million bushels would continue the upward trend in soybean production that has been going on, almost without interruption, for two decades. But given the world situation, and the current growth in demand, an increase of 100 million bushels is certainly modest; it would seem to fall short of the marketing opportunity now ahead of us.

In the past 3 years, due to policy changes including the 1970 farm act, there has been a definite move toward permitting the market to operate more freely in agriculture. As a result, we now see substantial adjustments taking place in cropping patterns.

Some of these shifts affect soybeans. Under the old programs many grain and cotton farmers, restricted in their plantings, were able to plant soybeans as a substitute crop—a fortunate thing for them that soybeans were an adaptable crop that served an expanding need. This year, some of these farmers are returning to grain and cotton while others are expanding their plantings of soybeans. On the whole, this is a healthy adjustment.

This being true, we hesitate to put into effect program gimmicks that would artificially encourage the production of soybeans. Clearly, however, we have a marketing opportunity to ship more soybeans and utilize more beans than we will evidently produce this year, even with the 100-million-bushel increase.

This raises the question: Should we consider means of encouraging a more rapid expansion in soybean acreage than we have been getting in recent years. If so, how?

This is a question that is not easily answered. Yet there is a tremendous opportunity for the soybean production and processing industries—and we need to take advantage of it. We must think through ways to stimulate additional production without depressing prices to farmers.

With 60 million to 62 million acres being idled under Government programs, we are not getting sufficient acreage planted to soybeans. To the extent that Government may have slowed soybean expansion, by releasing other crops from their straitjacket, the Government may have an obligation to adjust its program to help get more soybean acres.

There is another serious matter—the world situation for oils and some of the issues being raised as other countries become concerned about overproduction of oil crops.

World production of oils and fats has been forecast at a record 42.9 million metric tons in 1972, due to foreign producers' response to above-average prices for vegetable oils in 1969 through 1971. Moreover, the bulk of the increase seems to be in edible oils, with a large expansion in palm oil and coconut oil, Brazilian soybeans, West African peanuts, and the sunflowerseed crops in a half dozen countries. A modest increase in cottonseed and large rapeseed acreage in Canada and the European Community last year added to supplies.

This all adds up in 1972 to a world export availability larger than the increase in world demand. Tentatively,

Soybean harvesting is highly mechanized.

A soybean blossom.

Loading for delivery to the elevator.

we believe that a similar situation will prevail in 1973, with export supplies exceeding import demand, but probably by a narrower margin. It appears that much of this increase may already have been discounted in the market place.

In the next few months, we believe that import competition from foreign coconut and palm oils here in the United States may taper off. This respite would be only temporary, however, with the long-term trend continuing to be one of expanding palm and coconut oil production abroad.

There is reason to be concerned about the growth in palm oil production and some other oil crops. This has the potential for a really burdensome world supply situation, and it is important that all of us, through our international organizations, encourage our colleagues in other countries to gear their production to real markets. Otherwise, their investments will be lost, and their development hopes disappointed. The palm, since it is strictly an oil crop, is going to be up against increasing competition from those oils that are byproducts of the burgeoning protein industry all over the world.

Here in the United States, we continue to have marketing problems with soybean oil, and as in recent years, we can expect that P.L. 480 will continue to be an important mechanism for the export of this product. The Department of Agriculture is continuing to facilitate the movement of soybean oil under both Title I and Title II.

In fiscal 1969-70, we exported 736 million pounds of oil under P.L. 480, representing 8 percent of total shipments of all commodities under the two titles. Shipments under Titles I and II grew to 851 million pounds in 1970-71 and 876 million pounds in 1971-72, and in both years soybean oil accounted for over 11 percent of all P.L. 480 commodities.

It appears likely that there will be additional increases in exports of soybean oil under Titles I and II in the current fiscal year and on into next year.

With increasing concern being felt over particular surplus problems in certain countries, we are once again beginning to encounter the old proposal that trade in oils be organized by means of an international oils agreement. Most recently, the proposal came up in the foreign trade section of the European Commission.

The French representative raised the issue with a statement to the effect that, notwithstanding the views of the United States and the Soviet Union, there exist real and overriding reasons why an international agreement should be established. Such an agreement, he said, would protect the producers of peanuts and other oilseeds produced in poorer countries.

This issue has been quiescent for the last year or two, most nations seeming to recognize that the oil and meal trade is so complex as to make an international agreement unworkable. But the new statement, raised in the EC Commission, poses some new and interesting questions—the views of the United States and the Soviet Union, for example.

The United States does not want to have its soybean opportunities limited by an agreement allocating world markets. The Soviet Union does not want to have its sunflowerseed oil outlets limited by such an agreement.

The United States has an interest in bringing the Soviet Union, and China as well, into the international dialogue affecting fats and oils. Both of those countries are or have been important factors in oilseed production and trade. Both have made recent purchases in the United States—soybeans in the case of the Soviets and linseed oil in the case of the Chinese.

May I say, in the strongest terms possible, that the United States position remains unchanged with respect to any international oils agreement? We are still against it. Our view is that soybeans are a growth industry, and we do not favor any agreement that would force the trade in soybeans, meal, or oil into some predetermined pattern.

With the growing need for proteins and oils, as the world's people look to improved diets, the world oilseed industry should be thinking in expansive terms. It should direct its effort toward building markets rather than creating a structure that would artificially restrict trade by some form of market allocation. That is the U.S. view.

Returning to the Soviet purchase of U.S. soybeans, I would emphasize that this development, while it no doubt reflects temporary crop conditions, also reflects longer term Soviet goals in livestock and poultry production. So this purchase may well have longer term implications, which we should take into account as we plan future soybean production. We need an expanded dialogue with our new soybean customers to help understand their needs and to adjust our supplies.

The goal of the Soviets' current 5-year plan is to increase the protein in Russian consumer diets by 25 percent. Secretary Earl Butz, in talks with the Soviets both here and in Moscow, repeatedly emphasized that the United States has the capacity and the ability to help the Russian people meet that goal through commercial sales of U.S. feedstuffs.

Not long ago, in a conversation with the Soviet Agricultural Attaché in Washington, I mentioned that at some point we would need a recognizable signal that his country was in fact seriously interested in buying U.S. soybeans. Once such a signal came to us, we would be able to take account of that market in planning production here in the United States.

It would appear that we now have such a sign and a tangible one in the

(*Continued on page 12*)

U.S. Soybean Complex Exports Top $2 Billion in FY 1972

By BRUCE BAKER
Fats and Oils Division
Foreign Agricultural Service

For the first time, the U.S. soybean crop has become the Nation's leading cash crop. In FY 1972, U.S. farmers reported higher cash receipts for soybeans than for corn, which has long been the leading cash earner.

The soybean crop also reached another important milestone when it became the first agricultural commodity to have total annual exports valued at more than $2 billion; the total export value of soybeans and soybean products hit an alltime high of $2.004 billion in FY 1972—a 5-percent gain over the preceding year.

Gains in the value of exports within the "soybean complex" (soybeans and soybean products) were mixed, however; the value of soybeans increased by 9 percent, soybean meal stayed about the same, while the value of soybean oil declined by 7 percent.

Most of the gain in the value of soybean exports does not reflect a proportionate rise in shipments; rather, the price of soybeans jumped by 7 percent —from an average of $3.00 per bushel in FY 1971 to $3.22 per bushel in FY 1972. The total volume of exports in FY 1972, at 431,436,000 bushels, was up only 2 percent over the previous year.

The considerable price gain reflects a demand for soybeans which has outstripped production for the two previous seasons, considerably reducing the carry-in stocks for the 1972 season. Tighter supplies and a continued strong demand have pushed prices to their higher levels for this season.

Although the export market for soybeans remained strong during FY 1972, it was distorted by several factors, including the east and gulf coast dock strikes, the slowed growth of West European and Japanese livestock production, a substantial gain in European wheat output, and the Indo-Pakistani war.

The market was also affected by increased competition from foreign-produced oilseeds and protein, including palm oil, copra, palm kernels, rapeseed, linseed, and fishmeal and oil.

Of all the distorting factors perhaps the one destined to have the most lasting impact on the competitiveness of soybeans in world markets will be the international currency realinement.

The devaluation of the U.S. dollar lowered the price of a bushel of U.S. soybeans in terms of many foreign currencies. The price was reduced most for Japan and the European Community—which together take 65 percent of total U.S. soybean exports; consequently, soybeans should have an even better competitive position in these markets in the future.

U.S. soybean exports had a good year in the EC, which took almost 40 percent of total shipments in FY 1972. The volume of shipments (168,708,000 bushels) was up 9 percent, while the average price per bushel also gained (up to $3.20 per bushel); consequently, the total value of soybean exports to the EC gained by 16 percent over the preceding year.

Within the EC, the Netherlands was the leading market for U.S. soybeans. Total volume rose by over 13 million bushels—or 25 percent—a gain nearly equal to the gain of the EC as a whole. Part of this substantial gain reflects the increased use of this country as a transshipment point for U.S. soybeans destined for other EC countries. Smaller increases in imports by West Germany, Italy, and France more than offset the 6-million-bushel decline in direct shipments to Belgium-Luxembourg.

Japan, the second largest market for U.S. soybeans, took about 25 percent of total exports in FY 1972. The volume of shipments (110,223,000 bushels) was up 9 percent over the previous year. Most of this gain came immediately before and after the U.S. dock strikes, as precautionary or catch-up purchases.

Japanese importers delayed purchases until the second half of the fiscal year, in order to take advantage of the 18-percent currency adjustment (completed on December 18, 1971), and the trade liberalization which removed the Japanese 21-cent-per-bushel duty on soybeans (April 1, 1972).

Spain, the third largest market for U.S. soybeans (after the EC and Japan) had a reduced growth rate in its soybean import requirements in FY 1972. A drought in FY 1971 reduced pasture and led to accelerated slaughter of red meat animals. Pasture was more plentiful in FY 1972, animal numbers were lower, and poultry production slackened. Nevertheless, the volume of Spain's imports of U.S. soybeans rose 2 percent, to 39,949,000 bushels.

Three of the four EC applicants—the United Kingdom, Denmark, and Norway—are also important markets for U.S. soybeans.

Shipments to the United Kingdom dropped 20 percent in FY 1972, down to 4.4 million bushels. Several factors contributed to this reduction: The poultry industry was still recovering from the Newcastle disease epidemic of 1970-71; exceptionally favorable pasture conditions reduced cattle feed requirements; and imports of rapeseed and rapeseed meal were up 39 and 50 percent in CY 1971 over 1970.

Some of the decline in direct shipments to the United Kingdom was offset by transshipments through the Netherlands. Prospects for the coming

(*Continued on page 12*)

Cooperators' Program Helps Boost Italy's Fresh Pork Consumption

Partly because of a concerted marketing, production, and promotion campaign by the U.S. Feed Grains Council, assisted by the National Renderers Association and the American Soybean Association, Italian consumers have markedly increased fresh pork consumption in the past 7 years.

Called the "Lean Pork Project," the campaign got underway in 1965, and was designed to reach nearly every segment of the Italian public from hog producers, to butchers, to the Italian housewife in order to encourage production, slaughter, and sale of lean pork. The underlying aim of the campaign was, of course, to promote the export of U.S. feed ingredients.

Success of the campaign was noted at the recent presentation of the 100,000th hog produced by participants in the program to Kristie Roach, an American farm "princess" from Natchitoches, La., who was on tour in Europe with a group of champion U.S. soybean farmers. A further indicator is the high level of U.S. agricultural exports to Italy, particularly soybeans, soybean meal (including cake), and feedgrains.

Three commodities—soybeans, corn, and soybean meal (including cake)—accounted for two-thirds of Italy's farm purchases from the United States in 1971—$172.5 million out of a total of $266.2 million.[1] Exports of barley and prepared animal feeds, although of less importance than the "big three," were also sizable—$13.2 million and $628,000, respectively. Comparative figures for the past 2 years, in thousands of dollars, are:

	1970	1971
Soybeans	60,717	82,069
Corn	58,185	66,150
Soybean cake and meal	27,850	26,984
Barley	3,046	13,214
Prepared animal feed	390	628

Prior to the start of the lean pork campaign, Italian production was closely tied to the manufacture of ham and salami, which required animals weighing at least 300 pounds, generously larded with fat, and which produced fresh pork that was usually tough and of uncertain quality. Because of these characteristics, Italian consumers had developed a dislike for fresh pork.

To overcome this aversion, it was necessary to completely turn around the country's attitude toward this type of meat. Hog producers had to be convinced that a market could be created for lean, fresh pork; slaughterers had to be taught the proper way to dress and cut up a lean carcass; and housewives had to be convinced that lean pork would always be of consistent high quality.

A multifaceted promotion program was devised to build fresh pork sales. Press conferences were held at which the advantages of producing and buying lean versus fat pork were explained; luncheons were scheduled at which cuts of lean pork were served; feeding trials were scheduled in order to demonstrate how efficiently lean hogs converted feed ingredients into meat. Meetings were held with producers, meat processors, distributors, consumers, and medical groups to disseminate information about the advantages that could result from the sale and consumption of fresh pork.

[1] Statistics in this paragraph were taken from publications of the Organization for European Cooperation and Development and the United Nations.

Americans watch Italian meat cutter.

At first, much of the work connected with boosting use of Italian fresh pork was undertaken by the U.S. market-development cooperators. In time, however, Italian groups began to participate in the program. At present, the most important Italian organizations promoting the consumption of fresh pork are the Rome Butchers and the Lean Pork Producers Associations.

Although it is known that Italian fresh pork consumption has increased since the pork promotion project was inaugurated, it is nearly impossible to determine by how much because there are few reliable statistical data detailing fresh pork consumption in Italy. Available data refer to total pork consumption which includes cured products such as hams, salamis, sacked, and smoked meats. However, the boost in consumption of these latter types of meats is estimated to be quite low, whereas total per capita pork consumption has grown from 16.7 pounds in 1966 to 23.1 pounds in 1970. And it is certain that the Fresh Pork Project played a part in bringing about this increase. —M.P.M.

Soybean Princess Kristie Roach about to sample Italian fresh pork.

How EC Will Implement Mansholt Plan For Structural Reform in Agriculture

By ROBERT G. HARPER
Trade Policy Division
Foreign Agricultural Service

The European Community (EC) Council of Ministers has agreed to a three-pronged program for restructuring the agriculture of its Member States. This watered-down version of the Mansholt Plan for European agricultural structural reform will be implemented jointly by the EC and its members.

The original plan, presented to the Community in 1968 by Dr. Sicco Mansholt, then President of the EC Commission, called for annual expenditures by the EC of up to $1.5 billion. The present modest form makes available only $900 million from EC funds for its first 5 years of the plan's operation.

As it now stands, the program's purpose is to foster farms which can provide incomes comparable to nonagricultural incomes, to encourage older farmers to leave agriculture, and to retrain or pension farmers.

The program does not imply an end to high commodity support prices. Farmers would be unlikely to undertake additional expenses in improving their farms, even with help, if they foresaw a drop in the prices from which they would have to meet those costs.

One aspect of the program will give farmers:

- Subsidies to cover a part of the interest on authorized loans;
- Guarantees on authorized loans;
- Priority access to farmland belonging to farmers leaving agriculture.

A farmer's eligibility will depend largely on his development plan. This must show that, upon its completion after 6 years, the farm could support at least one full-time worker at a level comparable to that of nonagricultural workers in the region or that its income would match the income of reference farms in the region. There is considerable flexibility in determining a plan's acceptability.

The plan's goal may limit the kinds of help a farmer may be given. For example, interest subsidies and loan guarantees are not authorized on loans to buy land, even though priority access to farmland is one of the program's incentives. Similarly, they are not authorized on loans to buy live pigs, poultry, or calves for slaughter. There are various other restrictions on assisting loans for investment in beef, mutton, pork, or poultry production.

The Community will reimburse Member States for a quarter of their expenditures when they pay up to 5 percentage points interest on a loan of up to $43,000, provided that the farmer himself pays at least 3 percentage points interest on that loan. The loan may be for more than $43,000 if more than one full-time worker is covered in the development plan.

Under certain circumstances or in certain regions, Member States may be reimbursed if they pay more than 5 percentage points on the loan and they require the farmer to pay no more than 2 percentage points on that loan.

Apart from giving the Community control over Member State incentive programs through limiting the expenditures which may be reimbursed, the Community's program also prohibits certain kinds of Member State payments.

Other kinds of Member State farm-improvement incentive payments for which the Community will pay a part of the expenses include:

- Contributions to the management costs of mutual assistance farm groups;
- Grants to beef/mutton producers;
- Payments for record keeping;
- General assistance, tied only in-

German chicken farm, above, large enough for a silo.
Left, aerial view of fields and access roads in Germany.

Mechanical corn harvest in France gives higher production ratio.

directly to individual enterprises and their development plans, for Member State land consolidation and irrigation programs.

The other side of making farms more efficient is to encourage less efficient or older farmers to leave agriculture and to make their lands available to the more efficient farms. Some incentives to this end foreseen in the Community program are:

- An annual pension to farm operators 55 to 65 years old who withdraw from agriculture;
- A lump-sum payment to farm operators of any age depending on how much land they release;
- An annual pension to farm family and wage workers 55 to 65 years old who work on a farm being withdrawn from production.

The Community will reimburse Member States for a quarter of their authorized expenditures for pensions to farm operators, limited to $980 for married and $650 for single farm operators. It will not contribute toward the lump-sum payments or to the pensions to family and wage workers. The Community will reimburse Member States for 65 percent of their authorized expenditures in certain regions where discontinuance of agricultural activity incentive programs is not now in effect.

For a farm operator to be eligible for a pension, he must dispose of at least 85 percent of his agricultural land by means of:

- Selling or leasing it for at least 12 years to farmers being assisted through the farm improvement aspect of the programs;
- Selling or leasing it for at least 12 years to real estate organizations that Member States may designate;
- Making it available for afforestation or other public uses which would remove it permanently from farm use.

Member States will have considerable latitude in determining the details of their pension programs, such as whether payments are to be differentiated on the basis of age, income, or region. The only Community control will be whether it will reimburse a Member State for a given pension payment.

Another aspect of the Community's program is aimed at reeducating farmers and making available to them more skilled advisers. The Community will reimburse Member States for a quarter of their authorized expenditures for such purposes as:

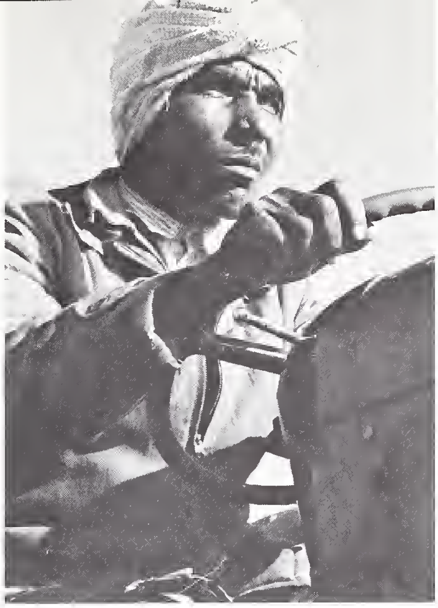
- Payments to institutions training social or economic advisers;
- Grants to persons receiving such training;
- Grants to farmers seeking to improve their skills;
- Grants to farmers being trained in a nonagricultural trade.

What effect the Community's guidelines and funding will have on actual structural reform is hard to appraise now. Most of the Community's Member States have pursued structural reform programs for several years. (See "Structural Reform in European Agriculture," *Foreign Agriculture*, July 17, 1972.) The pattern is set and probably will not change in any important respect.

In Italy, on the other hand, this kind of program has not heretofore been a major element of Government policy. Italy has worked consistently for a Community program and Community funding. Now, however, whereas the other Community members will have ready access to Community support for their already existing programs, Italy must first put programs into effect through which Community money may be put to use. The extent to which Italy is able to do this will determine in large measure how successful the Community's program will be in Italy, the Member State that needs more work on structural improvements than any other EC country.

Dutch "farms from the sea," above, laid out in economic size with good access. Italian farmer, right, harvesting rice with a combine.

Tunisia's 1972 Grain and Olive Oil Production Shows Increases



Increased input usage has boosted Tunisia's farm output. (FAO photo)

Near-ideal weather, improved cultivation methods, and greater use of inputs, have enabled Tunisian farmers to harvest a wheat crop in 1972 expected to be the largest since the country gained its independence in 1956. This year's output of barley and olive oil is also expected to be high, but citrus production will probably be less than that of 1970-71.

As a result of the expected high level of wheat production, Tunisia will probably be able to export some Durum, but may still have to import large amounts of bread wheat.

In 1970-71, Tunisia imported 402,000 tons of wheat, with the United States, Canada, and France supplying more than 70 percent. U.S. exports to Tunisia were 184,000 tons. Imports in 1972-73 are expected to be between 200,000 and 300,000 tons. (All tons are metric.)

Grains. Unofficial forecasts place total 1972 wheat production at 800,000 tons (500,000 Durum and 300,000 tons of bread wheat) from 2.5 million acres. This is a 33-percent increase over last year's 600,000-ton outturn.

Acreage of high-yielding wheat varieties was reduced from 254,500 acres in 1971 to 160,600 acres this year. The drop resulted when the Tunisian Government stopped allowing production credits on about 74,100 acres on farms turning in unsatisfactory performances.

This action was designed to permit more selectivity in the cereals improvement program by recruiting farmers with good production records. Under this criterion the area planted to high-yielding varieties is expected to increase next year, however.

Output of barley, another of the country's major grains, is estimated to reach about 200,000 tons, a near record for the postindependence period. Last year's outturn was 140,000 tons.

Olive oil. There is a possibility that oil output from Tunisia's 1971 olive crop may reach the exceptionally high level of 170,000 tons, 10,000 tons more than had previously been estimated. Based on early indications, oil production from the 1972 olive crop could reach 70,000 tons. A small crop normally follows a large one.

Except for temporary storage problems which have slowed the collection of olive oil, movement into export channels has been fairly smooth. Total olive oil exports for the season which ended October 31, 1972, may have reached 120,000 tons.

In fiscal 1973, Tunisia is expected to import an estimated 50,000 to 60,000 tons of seed oils—mostly from the United States—to meet domestic consumption requirements.

Citrus. Lack of adequate water will probably hamper production of Tunisia's citrus crop, but 1971-72 output is expected to reach 75,000 to 80,000 tons. Citrus outturn in 1970-71 totaled about 82,000 tons.

Total citrus exports in 1971-72 are expected to reach approximately 30,000 tons, compared with 25,000 tons in 1970-71.

—Based on a dispatch from
DUDLEY G. WILLIAMS
U.S. Agricultural Attaché, Rabat

Soviet Union Reports on Plan Fulfillment

The Soviet Union recently published its Plan Fulfillment Report for the first half of 1972. Increases were recorded in the amount of land sown, particularly the grain area, and in some aspects of livestock production. Reductions were reported, among other items, in the output of vegetable oil.

Total sown area was the equivalent of 519.3 million acres, an increase of 7.4 million acres over the area planted in 1971. Grain area, claimed to be 302 million acres, marked an expansion of 10.9 million acres above last year's level. Areas for sugar beets, soybeans, and vegetables were also expanded, but the amounts were not revealed.

The expansion in the grain area evidently was made possible by a reduction in the amount of land left fallow. The area for forage crops, on the other hand, was reduced by several million acres.

Livestock numbers on collective and State farms reflected these increases as of July 1: Cattle were up 4 percent; including cows, 3 percent; hogs, 1 percent; and poultry, 6 percent. Sheep and goat numbers, however, fell 2 percent, probably because of losses from the severe winter in parts of Central Asia.

Total meat production on collective and State farms increased by 5 percent. Pork was up by 11 percent and poultry meat by 15 percent. Milk output increased by 4 percent and eggs by 13 percent.

Vegetable oil output by the food industry declined 5 percent compared with the same period in 1971. The decline was the result of a smaller sunflowerseed crop in 1971 than in 1970.

Delivery of mineral fertilizers to agriculture during the 6-month period of 1972 was 2.2 million tons more than in January-June 1971. Deliveries of equipment to the farm sector remained at about the same level as for the first 6 months of 1971, especially tractors, grain combines, and plows. Some increases, however, were reported in the deliveries of trucks and special vehicles, seed drills, and field choppers.

—BY ANGEL O. BYRNE
Foreign Demand and Competition Division, Economic Research Service

CROPS AND MARKETS

FATS, OILS, AND OILSEEDS

Senegal Peanut Crop Threatened by Rain Shortage

Below-normal rainfall through July has reduced earlier expectations of a record peanut harvest in Senegal in 1972-73. Normal light rains in June arrived before fields were prepared for sowing and were largely wasted. July rainfall was 50 to 80 percent less than the 30-year average, according to the Government of Senegal Meteorological Service.

Principal growing areas have received rain in August, but its lateness is expected to limit the size of the crop. No reliable forecast is as yet possible. However, it now appears doubtful that production will exceed last year's output of 960,000 metric tons (in-shell basis).

FRUITS, NUTS, AND VEGETABLES

U.K. Import Policy For Apples and Pears

Since the end of World War II, British Government policy has been to protect British fruit growers during their marketing season and to provide a sheltered market for Southern Hemisphere Commonwealth and Sterling Area suppliers by imposing seasonal quotas.

Now that the United Kingdom is about to embark on the transitional period prior to entry into the Common Market on February 1, 1973, special provisions have been announced regarding quotas for imported apples and pears to apply during the interim.

The fresh apple import quota for the July-December 1972 period has been set at the same level as in earlier years at 15,200 long tons.

For pears, the quota for the 7-month period has been set at 24,000 long tons for imports from non-Sterling sources through January 31, 1973. The normal import quota for a 12-month period is 28,000 long tons.

The U.K. Department of Trade and Industry had stated earlier that after February 1, 1973, when the United Kingdom enters the EC and Community regulations apply to fruit and vegetable imports, quantitative restrictions on imports will no longer be permitted and the Open General Import License will be amended to remove quota restrictions.

At the same time, imports of fresh apples and pears will become subject to reducing compensatory levies as provided for under Articles 65 and 66 of the Treaty of Accession to the European Community. These arrangements will be in effect until the end of the transitional period on December 31, 1977.

Article 65 of the Treaty provides that a compensatory amount shall be fixed for fruits and vegetables if the new Member State concerned applied, during 1971, quantitative restrictions or measures of equivalent effect; where a common basic price (as computed under the EC's market intervention system) is fixed; and where the producer price in the new Member State appreciably exceeds the basic price applicable in the Community as originally constituted.

The compensatory amount applicable to the trade in the commodities concerned shall be the difference between the producer price in the new Member State and the basic price applicable in the Community during the base period.

In trade between two new Member States, the compensatory amount shall be equal to the difference between their respective producer prices. These differences shall be adjusted to the extent necessary by the amounts of customs duties. The compensatory amounts shall be reduced by one-fifth of the original amount on January 1 of each year beginning in 1974.

The U.K. customs duties will also be alined to the Common External Tariff of the Community from January 1 of each year beginning in 1974, in five steps of 20 percent each.

TOBACCO

Tobacco Companies Realine To Strengthen Position in EC

Rembrandt Tobacco Company, the large international South African-based company, has announced amalgamation of several of its cigarette manufacturing companies into Carreras, Ltd., the third largest U.K. tobacco company. Other companies in the merger are Martin Brinkmann AG of West Germany (with its associated companies in Luxembourg, Switzerland, and Belgium), Tobacofina SA of Belgium (with associated companies in the Netherlands and Switzerland), Turmac Tobacco Company NV of the Netherlands (with its associated company in Switzerland), and Rothmans of Pall Mall Export Limited of the United Kingdom. Each of these companies has a significant share of the respective home markets. The name of the newly formed company will be Rothmans International. The move is expected to strengthen the overall competitive stance in the European Community.

There has been recent speculation that the Imperial Tobacco Group, Britain's largest cigarette manufacturer with 65 percent of the U.K. market, would merge with the worldwide British American Tobacco Company in which it has a 28.6 percent stock ownership. However, it has just announced the two companies will remain separate but continue to maintain close liaison. Imperial continues its diversification policy with its recent half-billion-dollar bid for Courage, Britain's fifth largest brewery with extensive beef, wine, and spirits outlets, soft drink companies, and hotels.

DAIRY AND POULTRY

New Zealand Sells Butter to Japan

The New Zealand Dairy Board recently announced the sale of 1,532 metric tons of butter to Japan for delivery in August and September. This is the third sale to Japan in 4 months and it brings the quantity sold this year to 3,000 tons, valued at more than NZ$3 million.

Japan had invited worldwide tenders for 3,000 tons. Australian and European exporters competed with New Zealand, and the European Community made an "extremely determined" effort to obtain the business by offering a heavily subsidized price.

In addition to the 1,532 tons from New Zealand, Japanese buyers also ordered 1,468 tons from Australia.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sep. 13	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.35	+1	1.97
USSR SKS-14	(1)	(1)	1.90
Australian FAQ [2]	2.02	+2	1.69
U.S. No. 2 Dark Northern Spring:			
14 percent	2.12	+1	1.89
15 percent	2.20	(1)	1.98
U.S. No. 2 Hard Winter:			
13.5 percent	2.12	+2	1.80
No. 3 Hard Amber Durum	2.14	+6	1.80
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.70
Feedgrains:			
U.S. No. 3 Yellow corn	1.57	+1	1.38
Argentine Plate corn	1.90	+6	1.65
U.S. No. 2 sorghum	1.63	+4	1.42
Argentine-Granifero sorghum	1.66	+5	1.44
U.S. No. 3 Feed barley	1.50	+9	1.01
Soybeans:			
U.S. No. 2 Yellow	3.85	+4	3.53
EC import levies:			
Wheat [3]	[4] 1.63	−6	1.45
Corn [5]	[4] 1.14	−2	.95
Sorghum [5]	[4] 1.06	−6	.95

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

Wheat Harvest in Israel Improves Significantly

Israel has harvested a record 280,000 tons of wheat, up from 200,000 tons in 1971, following a season of excellent moisture supply. The area planted to wheat has increased from 36,000 hectares in 1950-54 to 110,000 hectares in 1968-72 largely on a switch of land from barley. Israel's 1972-73 wheat imports are expected to be about 245,000 tons, 35,000 tons below 1971-72.

Korea's Wheat Imports Continue To Rise

Due to a fall in wheat production in 1972 of 79,000 metric tons from 1971 coinciding with the Government's campaign to encourage wheat consumption, South Korea's wheat imports should rise by 143,000 tons in 1972-73 to 2 million tons. Australia filled over 75 percent of the 476,000-ton increase in Korea's wheat imports in 1971-72 but has not made any large sales to Korea this season.

SUGAR AND TROPICAL PRODUCTS

International Coffee Organization Adopts Quotas

At the final meeting of the 20th Session of the International Coffee Council a resolution was adopted setting an initial quota for coffee for 1972-73. The quota was set at 49.6 million bags—an increase of 2.6 million bags over last year's initial quota.

The Council then went on to approve a quota for the first quarter (October-December 1972) of 13.1 million bags with no price provisions. However, if the Council fails to take action which will require a two-thirds majority vote by both producer and consumer groups by December 10 of this year, there will be no quota or price provisions in effect under the agreement for the last three quarters of this coffee year.

The consumers had requested a first-quarter quota of 14 million bags; however, the 13.1-million-bag quota established should be adequate. In no previous similar period have there been exports to quota markets of more than 11.8 million bags. The exporting members of the Agreement, with the possible exception of only a few small countries, should have sufficient coffee to meet the demand in importing countries in 1972-73. The composite indicator coffee price, which was at 55.55 cents per pound at the start of the Conference, was at 54.32 cents at the end.

It is expected that another meeting of the International Coffee Council will take place toward the end of November. An attempt to negotiate quotas and prices for the remainder of the year will probably take place at that time, as well as negotiation for a new agreement. The present Agreement expires September 30, 1973.

Kenya's Pyrethrum Crop Moves Up Sharply

Reflecting more favorable growing conditions, Kenya's 1971-72 (October-September) pyrethrum crop is expected to be well above the outturn of the previous season. Production (dry flower basis) during the first 7 months of the 1971-72 season has totaled 9,735 metric tons, up 74 percent over the corresponding 1970-71 period when production amounted to 5,604 tons. Total 1970-71 production amounted to 9,904 tons.

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FOREIGN AGRICULTURE

U.S. Soybean Complex Exports (Continued from page 5)

months are brighter as new crushing capacity, geared almost exclusively to soybeans, comes into operation and as the poultry industry continues to recover.

Soybean shipments to Denmark declined by 9 percent in FY 1972, down to 18.2 million bushels; however, soybean meal shipments rose 45 percent to 109,000 short tons. If meal is figured on a soybean equivalent basis, then total soybean shipments declined by less than 2 percent.

The principal reason for this decline in U.S. soybean shipments was increased competition from rapeseed and rapeseed meal (both domestically produced and imported). Danish spring rapeseed area and production more than doubled between 1970 and 1971. At the same time, imports of rapeseed and rapeseed meal rose by 30 and 45 percent, respectively.

Although U.S. exports to Norway rose only 1 percent in FY 1972 (to 7.7 million bushels), the outlook for the future is good: soybean crushing capacity is now being doubled.

In other major markets for U.S. soybean exports, the FY 1972 export record was mixed. Exports to Taiwan expanded by 12 percent in volume (to 22,650,000 bushels), while value rose by 16 percent. Soybean shipments to Canada declined by 17 percent and exports of soybean meal were down by 10 percent—reflecting decreased transshipments and increased utilization of domestically produced rapeseed. U.S. soybean exports to Israel were also lower.

The total volume of fiscal 1972 soybean oil shipments was 1.562 billion pounds, 12 percent less than the previous year's total. However, the total oil equivalent of U.S. exports of soybeans and soybean oil was down only 2 percent due to the increase in exports of soybeans.

Most of the 210-million-pound decline in soybean oil exports occurred among the major foreign recipients. Yugoslavia, which was the second largest market for U.S. soybean oil in FY 1971, reduced its purchases by 34 percent, or 86 million pounds, as a result of balance-of-payments difficulties.

Combined soybean oil exports to India and Pakistan were lower by another 73 million pounds. Following the disruption of the Indo-Pakistani War, P.L. 480 shipments to India ceased. Although Pakistan (formerly West Pakistan) may some day be self-sufficient in vegetable oil, Bangladesh (formerly East Pakistan) will continue to be an oil deficit country by a substantial margin. During the last half of fiscal 1972, the United States provided Bangladesh with 78 million pounds of oil as an emergency relief measure.

Other important markets where sizable declines occurred were Israel, Egypt, and Taiwan. Tunisia and Morocco, both major importers of U.S. oil, maintained their purchases at about the previous year's level.

U.S. Soybeans Needed

(Continued from page 4)

cash purchase of a sizable quantity of soybeans. It seems reasonable to suppose that, as the Soviets expand livestock and poultry production, their awareness of the value of protein supplements will increase. They will become more sensitive to the contribution soybean meal can make in boosting efficiency and extending short grain supplies.

The Soviet market is of course only one element in the growth of our export opportunities. And export growth is only one element in our need for additional soybeans, as the demand for meat and other livestock products expands here as well as in other countries. These opportunities being what they are, there would seem to be a certain inconsistency in a failure to produce enough soybeans, while at the same time holding out of production a large number of acres that could be used for this purpose.

This is the challenge we have before us—farmers, industry, and Government—as we plan for 1973.